No. 16-1011

In the Supreme Court of the United States

WESTERNGECO LLC, PETITIONER

v.

ION GEOPHYSICAL CORPORATION

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE

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QUESTION PRESENTED

The Patent Act of 1952, 35 U.S.C. 1 *et seq.*, provides that, when a patent owner prevails in an infringement action, "the court shall award the claimant damages adequate to compensate for the infringement." 35 U.S.C. 284. Such damages may include lost profits that the patent owner would have earned but for the infringement. *Yale Lock Mfg. Co.* v. *Sargent*, 117 U.S. 536, 552-553 (1886). The question presented is as follows:

Whether a patentee that has proved a domestic act of patent infringement may recover lost profits that it would have earned outside of the United States if the infringement had not occurred.

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This brief is filed in response to the Court's order inviting the Solicitor General to express the views of the United States. In the view of the United States, the petition for a writ of certiorari should be granted.

STATEMENT

1. Under the Patent Act of 1952 (Patent Act), 35 U.S.C. 1 *et seq.*, "whoever without authority makes, uses, * * * or sells any patented invention, *within the United States* * * * , infringes the patent." 35 U.S.C. 271(a) (emphasis added). In *Deepsouth Packing Co.* v. *Laitram Corp.*, 406 U.S. 518 (1972), this Court held that a company did not commit infringement by manufacturing all of the component parts of a patented machine in the United States and then shipping those parts overseas for final assembly by a customer. *Id.* at 523-525. The Court explained that, because "[o]ur patent system makes no claim to extraterritorial effect," the patentee-plaintiff in an infringement suit was required to show

that the defendant had "'ma[de],' 'use[d],' or 's[old]' the patented product within the bounds of this country." *Id.* at 527, 531. The Court further held that, because the patented product in that case was not "made" until its components were combined abroad, no act of domestic infringement had occurred. *Id.* at 529 (citation omitted); see *id.* at 528-529.

Congress responded to *Deepsouth* by enacting 35 U.S.C. 271(f). See *Life Techs. Corp.* v. *Promega Corp.*, 137 S. Ct. 734, 742-743 (2017). Section 271(f)(1) provides that it is infringement to supply "in or from the United States all or a substantial portion of the components of a patented invention * * * in such manner as to actively induce the combination of such components outside of the United States." 35 U.S.C. 271(f)(1). Section 271(f)(2) similarly provides that it is infringement to supply "in or from the United States any component of a patented invention that is especially made or especially adapted for use in the invention and not a staple article or commodity of commerce suitable for substantial noninfringing use, * * * intending that such component will be combined outside of the United States." 35 U.S.C. 271(f)(2).

2. "A patentee shall have remedy by civil action for infringement of his patent." 35 U.S.C. 281. A patent owner who prevails in an infringement action is entitled to damages "adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer." 35 U.S.C. 284.

This Court has construed Section 284 to require "full compensation" to the patentee for any infringement, consistent with traditional common-law tort principles. See *General Motors Corp.* v. *Devex Corp.*, 461 U.S. 648, 654 (1983) (concluding that prejudgment interest is

available under Section 284). Damages under the Patent Act, like compensatory damages in tort law, should "ensure that the patent owner is placed in as good a position as he would have been in" absent the infringement. *Id.* at 655. In the context of direct infringement under Section 271, the Court has accordingly recognized that damages under Section 284 may include lost profits that the patentee would have earned but for the defendant's infringing conduct. See *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 476, 507 (1964); *Yale Lock Mfg. Co.* v. *Sargent*, 117 U.S. 536, 552-553 (1886).

3. Petitioner WesternGeco LLC owns four patents relating to marine seismic surveys, which are used to search for oil and gas beneath the ocean floor. Pet. App. 24a, 79a-80a, 86a. When conducting a marine seismic survey, a ship typically tows an array of sensors attached to cables, called "streamers," that detect soundwaves reflected off the ocean floor. *Id.* at 24a-25a. The information obtained is used to create maps of the subsurface geology. *Id.* at 79a. Petitioner's patents cover a system for controlling the movement of the streamers in a manner that produces more efficient surveys and higher-quality data. *Id.* at 25a, 79a-80a. Rather than sell or license this system to others, petitioner manufactures the patented system domestically, then performs seismic surveys on the high seas, using its patented system, and earns fees for performing those services. *Id.* at 25a, 40a.

Respondent ION Geophysical Corporation manufactures components of a similar survey system that, when assembled, embodies petitioner's patented invention, Pet. App. 40a. As relevant here, respondent manufactured the components of that system in the United

States and exported the components to customers abroad, who assembled the system and used it to perform surveys on the high seas in competition with petitioner. *Ibid.*

In 2009, petitioner sued respondent for patent infringement under Section 271(f). Pet. App. 25a. A jury found that respondent had infringed six different claims from petitioner's four patents. *Id.* at 26a-27a, 170a-171a, 174a-175a. The jury awarded petitioner $12.5 million in royalties. *Id.* at 80a, 116a, 175a. In addition, the jury awarded petitioner $93.4 million in profits that the jury found petitioner would have made on ten specific survey contracts that petitioner had lost to respondent's customers. *Ibid.*; see *id.* at 67a.

Respondent moved to vacate the lost-profits award. Pet. App. 116a. Respondent argued that it "would give improper extraterritorial effect to U.S. law" to award, as damages for the infringement, profits that petitioner had lost as a result of respondent's customers "making" or "using" the survey system abroad. *Ibid.* The district court denied the motion, concluding that lost-profits damages were appropriate in order to fully compensate petitioner for the harm caused by respondent's domestic infringement. *Id.* at 117a-118a.

4. A divided panel of the court of appeals affirmed the jury's verdict of infringement, but reversed the award of lost profits. Pet. App. 23a-53a.

a. As relevant here, the court of appeals concluded that, because the contracts that petitioner had lost were for performing seismic surveys "on the high seas, outside the jurisdictional reach of U.S. patent law," Pet. App. 41a, awarding lost profits for these contracts would contravene the presumption against the extraterritorial application of U.S. law, *id.* at 41a-45a. The court

noted that, because the overseas assembly and use of petitioner's invention by respondent's customers was not itself infringement, petitioner could not recover damages for those acts directly. *Id.* at 41a. The court further held that petitioner could not recover its lost profits on those contracts based on respondent's domestic infringement, because those losses "result[ed] from conduct occurring abroad." *Id.* at 24a.

The court of appeals interpreted existing Federal Circuit precedent involving infringement under 35 U.S.C. 271(a) to hold that "the export of a finished product cannot create liability for extraterritorial use of that product." Pet. App. 42a; see *id.* at 42a-43a (citing *Power Integrations, Inc.* v. *Fairchild Semiconductor Int'l, Inc.*, 711 F.3d 1348, 1371-1372 (Fed. Cir. 2013), cert. denied, 134 S. Ct. 900 (2014)). The court declined to apply a different rule for damages under Section 271(f), stating that, "[j]ust as the United States seller or exporter of a final product cannot be liable for use abroad, so too the United States exporter of the component parts cannot be liable for use of the infringing article abroad." *Id.* at 45a.

b. Judge Wallach dissented from the court of appeals' lost-profits analysis. Pet. App. 54a-75a. He agreed that "patent rights granted by the United States are geographically limited." *Id.* at 54a. He explained, however, that the question presented involved "the proper measure of damages *given* a finding of liability" for respondent's domestic infringement. *Id.* at 70a. As to that question, Judge Wallach applied ordinary common-law damages principles to conclude that lost-profits damages should be recoverable to place petitioner, "as near as may be, in the situation [it] would have occupied

if the wrong had not been committed." *Id.* at 57a (quoting *Albemarle Paper Co.* v. *Moody*, 422 U.S. 405, 418-419 (1975)) (citation omitted).

Judge Wallach interpreted the Federal Circuit's existing precedent as requiring only a proximate causal connection between the domestic infringement and the lost profits. See Pet. App. 65a-67a (Wallach, J., dissenting in part) (citing *Power Integrations, Inc.*, 711 F.3d at 1371-1372). He further noted that permitting recovery of lost profits in these circumstances was consistent with three decisions of this Court that involved using "non-infringing foreign sales to calculate lost profits where the patented product [wa]s manufactured in the United States." *Id.* at 57a; see *id.* at 57a-58a (citing *Manufacturing Co.* v. *Cowing*, 105 U.S. 253 (1882), and *Dowagiac Mfg. Co.* v. *Minnesota Moline Plow Co.*, 235 U.S. 641 (1915)); *id.* at 72a (citing *Brown* v. *Duchesne*, 60 U.S. (19 How.) 183 (1857)).

5. The court of appeals denied rehearing en banc. Pet. App. 176a-177a. Judge Wallach, joined by Judges Newman and Reyna, dissented for the reasons expressed in Judge Wallach's dissent from the panel opinion. *Id.* at 178a-180a. Judge Wallach also noted that the majority's holding was at odds with copyright law's "predicate act" doctrine, under which a copyright owner "'is entitled to recover damages flowing from the exploitation abroad of . . . domestic acts of infringement.'" *Id.* at 179a (citation omitted).

6. Petitioner sought review in this Court of both the court of appeals' lost-profits holding and its resolution of petitioner's unrelated request for enhanced damages. This Court granted that petition for a writ of certiorari, vacated the court of appeals' decision, and remanded for reconsideration in light of the Court's then-recent

enhanced-damages decision in *Halo Electronics, Inc.* v. *Pulse Electronics, Inc.*, 136 S. Ct. 1923 (2016). See 136 S. Ct. 2486. On remand, the court of appeals declined to reconsider its lost-profits analysis. Pet. App. 4a n.1.

Judge Wallach renewed his dissent. Pet. App. 13a-22a. He criticized the panel for adopting an "unduly rigid" rule that prohibits "any consideration of foreign activities when measuring damages." *Id.* at 17a (citations omitted). He concluded that "barring the district court from considering foreign lost profits even when those lost profits bear a sufficient relationship to domestic infringement improperly cabins [the court's] discretion, encourages market inefficiency, and threatens to deprive plaintiffs of deserved compensation." *Id.* at 22a.

DISCUSSION

Section 284 of the Patent Act guarantees to a prevailing patent owner "damages adequate to compensate for the infringement." 35 U.S.C. 284. Consistent with common-law tort principles, this Court has held that Section 284 is intended to restore the patent owner to "as good a position as he would have been in" absent that domestic infringement. *General Motors Corp.* v. *Devex Corp.*, 461 U.S. 648, 655 (1983). The court of appeals erred by precluding recovery of lost-profits damages necessary to provide full compensation solely because those profits would have been earned on contracts to perform services outside of the territorial jurisdiction of United States. The presumption against extraterritoriality does not bar courts from taking notice of foreign evidence or events in fashioning appropriate relief for a domestic act of patent infringement.

The damages-calculation question presented here is an important and recurring one. The court of appeals' approach systematically undercompensates prevailing

patentees like petitioner, whose transnational business suffered when respondent infringed petitioner's patents within the United States. This case presents a suitable vehicle to correct that error. Because the Federal Circuit has exclusive jurisdiction over cases arising under the patent laws, the question is ripe for the Court's review. The petition for a writ of certiorari should be granted.

A. Petitioner May Recover All Lost Profits Proximately Caused By Respondent's Domestic Infringement, Including Profits It Would Have Earned By Performing Surveys On The High Seas

1. Congress has directed the court in a patent-infringement case to award a prevailing patentee "damages adequate to compensate for the infringement." 35 U.S.C. 284. Because patent infringement is a species of tort, *Schillinger* v. *United States*, 155 U.S. 163, 169-170 (1894), this Court has consistently construed Section 284 in light of the traditional common-law principle that compensatory damages should be adequate to restore the plaintiff to the position it would have occupied but for the tortious conduct. A patent owner thus is entitled to recover "the difference between [its] pecuniary condition after the infringement, and what [its] condition would have been if the infringement had not occurred." *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 476, 507 (1964) (quoting *Yale Lock Mfg. Co.* v. *Sargent*, 117 U.S. 536, 552 (1886)); see *General Motors*, 461 U.S. at 654.

The extent of a patentee's proper recovery for lost profits or other damages is limited by principles of proximate causation. See *Staub* v. *Proctor Hosp.*, 562 U.S. 411, 417 (2011) (presuming that "when Congress

creates a federal tort it adopts the background of general tort law"). In particular cases, the link between infringement and lost profits may be too tenuous, with too many intervening or unforeseeable causes, to permit recovery under those background principles. See generally Restatement (Second) of Torts §§ 430-453 (1965).[1] In this case, however, the court of appeals did not question whether respondent's infringement under Section 271(f) proximately caused petitioner's loss of profits from ten specific contracts to perform marine seismic surveys. See Pet. App. 67a, 175a. Rather, the court set aside the lost-profits award based solely on the foreign nature of those would-be sales. See *id.* at 44a-45a. As the case comes to this Court, it therefore may be taken as given that an award of lost profits is necessary to restore petitioner to the "position * * * [it] would have been in" absent the infringement. *General Motors*, 461 U.S. at 655.

2. Taking account of petitioner's foreign lost profits in calculating compensatory damages under Section 284 would not violate the presumption against extraterritorial application of U.S. law.

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[1] A patentee's right to recover lost profits may be further limited by consideration of how an infringer might have adjusted its own conduct to mitigate its liability—including, as relevant here, by shifting all of its operations abroad. To calculate lost-profits damages, the court of appeals requires a "reconstruction of the market, as [the market] would have developed absent the infringing product." *Grain Processing Corp.* v. *American Maize-Prods. Co.*, 185 F.3d 1341, 1350 (Fed. Cir. 1999). That market reconstruction "must take into account, where relevant, alternative actions the infringer foreseeably would have undertaken had he not infringed." *Id.* at 1350-1351.

a. The presumption against extraterritoriality reflects the "'commonsense notion that Congress generally legislates with domestic concerns in mind,'" and it "serves to avoid the international discord that can result when U.S. law is applied to conduct in foreign countries." *RJR Nabisco, Inc.* v. *European Cmty.*, 136 S. Ct. 2090, 2100 (2016) (citation omitted). The presumption is "typically appl[ied] * * * to discern whether an Act of Congress regulating conduct applies abroad." *Kiobel* v. *Royal Dutch Petroleum Co.*, 569 U.S. 108, 116 (2013). The Patent Act's text confirms that both the exclusive rights conferred by a patent, 35 U.S.C. 154(a)(1), and the acts that constitute infringement, 35 U.S.C. 271, are bounded by the territorial jurisdiction of the United States. For these reasons, the Court observed in *Deepsouth Packing Co.* v. *Laitram Corp.*, 406 U.S. 518 (1972), that "[o]ur patent system makes no claim to extraterritorial effect." *Id.* at 531.

At the same time, the presumption against extraterritoriality does not prevent courts from taking account of foreign activities in applying U.S. patent law to claims of domestic infringement. For example, a journal article describing an invention, published before the priority filing date of a U.S. patent application for the same invention, constitutes prior art that would invalidate the asserted patent. See 35 U.S.C. 102(a) ("A person shall be entitled to a patent unless * * * the claimed invention was * * * described in a printed publication * * * available to the public before the effective filing date of the claimed invention."). Although Section 102(a) does not expressly state that foreign publications qualify, this Court has long understood that provision to encompass prior art published anywhere in the world. See, *e.g.*, *Seymour* v. *Osborne*, 78 U.S. (11 Wall.)

516, 554-555 (1871) (discussing an anticipation defense based on a London publication).

Similarly, this Court held last Term that, when a U.S. patent owner authorizes the sale of an article embodying the patented invention, the U.S. patent rights in that article are exhausted. *Impression Prods., Inc.* v. *Lexmark Int'l, Inc.*, 137 S. Ct. 1523, 1535-1538 (2017). Describing the common-law tradition disfavoring restraints on the alienation of chattels as "borderless," the Court held that even the foreign sale of a patented article by the patentee exhausts the patentee's domestic patent rights in that article. *Id.* at 1536; cf. *Kirtsaeng* v. *John Wiley & Sons, Inc.*, 568 U.S. 519, 539 (2013).

In these and other circumstances, foreign events can—and regularly do—have legal consequences under the Patent Act. But because those doctrines pertain to adjudicating a defendant's liability under U.S. law for *domestic* acts of alleged patent infringement, they have not been viewed as implicating the presumption against extraterritoriality. The Court in *Impression Products*, for example, did not cite *RJR Nabisco* or refer to the presumption.

The assumptions about legislative intent that animate the presumption are not directly implicated when a court takes account of relevant foreign evidence or activities in determining the proper application of U.S. law to *domestic* U.S. conduct. Doing so does not conflict with the "commonsense notion that Congress generally legislates with domestic concerns in mind." *RJR Nabisco*, 136 S. Ct. at 2100 (citation omitted). Nor does taking account of foreign evidence and events in imposing liability for domestic conduct pose a significant risk of "unintended clashes between our laws and those of

other nations which could result in international discord." *EEOC* v. *Arabian Am. Oil Co.*, 499 U.S. 244, 248 (1991).[2]

As support for its contention that respondent's domestic infringement was the proximate cause of economic harm to it, petitioner relied in part on evidence that other companies had performed surveys on the high seas using the components of the survey system that respondent supplied from the United States. But petitioner introduced those foreign surveys as evidence of how much better off petitioner would have been if respondent had not engaged in domestic infringement. Just as the exhaustion inquiry in *Impression Products* did not implicate the presumption against extraterritoriality because that inquiry was used to determine whether the defendant's domestic conduct was infringing, petitioner's reliance on evidence of foreign activities to establish its entitlement to damages from domestic infringement does not amount to the extraterritorial application of U.S. law.

Rather, petitioner's entitlement to damages should be informed by a different background principle: the traditional common-law rule that the victim of a tort should be returned to the position he or she would have occupied but for the legal wrong committed by the defendant. See *General Motors*, 461 U.S. at 654-655 (con-

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[2] The Patent Act differs in this respect from the Racketeer Influenced and Corrupt Organizations Act (RICO), 18 U.S.C. 1961 *et seq.*, the statute at issue in *RJR Nabisco*. The Court in *RJR Nabisco* concluded that RICO's substantive prohibitions reach extraterritorial conduct, 136 S. Ct. at 2101-2103, and it observed that "providing a private civil remedy for foreign conduct creates a potential for international friction," *id.* at 2106. Under the Patent Act, by contrast, patent infringement can occur only within the United States.

struing Section 284 to reflect that principle). That traditional remedial principle is just as "borderless" as the common-law exhaustion principle that the Court applied in *Impression Products*. Under that principle, a foreign tourist negligently injured in a car crash in the United States should receive full compensation from the tortfeasor, including for lost wages the tourist would have earned in his home country. The fact that particular harmful consequences of the accident stem from wages that would have been earned abroad would not prevent the defendant's domestic negligence from being treated as the proximate cause of those harms. So too here, petitioner is entitled to recover "damages adequate to compensate for the infringement," including all lost profits proximately attributable to respondent's conduct.

b. This Court's analysis in *RJR Nabisco* does not require a different result. The Court in *RJR Nabisco* refined the two-step framework for identifying impermissible extraterritorial applications of federal statutes. First, the Court "ask[s] whether the presumption against extraterritoriality has been rebutted" by "a clear, affirmative indication that [the statute] applies extraterritorially." 136 S. Ct. at 2101. If the presumption has been rebutted, then an extraterritorial application of the statute is permissible. But if the presumption has not been rebutted, "then at the second step [the Court] determine[s] whether the case involves a domestic application of the statute * * * by looking to the statute's 'focus.'" *Ibid.* "If the conduct relevant to the statute's focus occurred in the United States, then the case involves a permissible domestic application even if other conduct occurred abroad." *Ibid.* Although the inquiry will typically proceed sequentially, courts are free to

start at step two "in appropriate cases." *Id.* at 2101 n.5 (citing *Pearson* v. *Callahan*, 555 U.S. 223, 236-243 (2009)).

The Court has not previously applied the *RJR Nabisco* framework to a general damages provision, let alone to a damages provision like Section 284 that applies only where a domestic legal violation has been established. But assuming that the framework applies, it does not support the court of appeals' conclusion. The "focus" of Section 284 is providing compensation for "infringement," which by definition consists of domestic conduct. See 35 U.S.C. 284 ("Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement."); see, *e.g.*, 35 U.S.C. 271(a) and (f) (defining as infringement only conduct occurring within the United States).

In enacting Section 284, "Congress sought to ensure that the patent owner would in fact receive full compensation for 'any damages' he suffered as a result of the infringement." *General Motors*, 461 U.S. at 654-655 (quoting H.R. Rep. No. 1587, 79th Cong., 2d Sess. 1 (1946)). Section 284 is not targeted to any specific type of economic injury or consequential damage. Even when a patent owner cannot prove any economic damages at all, as when the patentee has declined to sell or use its invention or to license its patent rights, see 35 U.S.C. 271(d)(4), he is entitled to recover a reasonable royalty. See 35 U.S.C. 284 (Court shall award damages "in no event less than a reasonable royalty for the use made of the invention by the infringer."); *SmithKline Diagnostics, Inc.* v. *Helena Labs. Corp.*, 926 F.2d 1161, 1164 (Fed. Cir. 1991). Rather, "Congress' overriding purpose [was] affording patent owners complete compensation." *General Motors*, 461 U.S. at 655. Thus, even if

calculating petitioner's lost profits requires taking account of foreign conduct, awarding lost-profits damages to make petitioner whole is a domestic application of Section 284, because the conduct relevant to Section 284's focus—the "infringement" of a U.S. patent—is domestic.

RJR Nabisco is not to the contrary. There, the Racketeer Influenced and Corrupt Organizations Act (RICO), 18 U.S.C. 1961 *et seq.*, created a private cause of action for "[a]ny person injured in his business or property" by certain racketeering activities prohibited by federal criminal law. 18 U.S.C. 1964(c). The Court's statement that Section 1964(c) "requires a civil RICO plaintiff to allege and prove a domestic injury to business or property," 136 S. Ct. at 2111, reflects an implicit conclusion that the focus of RICO's private cause of action was the injury to the plaintiff's business or property. The Court further observed that "by cabining RICO's private cause of action to particular kinds of injury * * * Congress signaled that the civil remedy is not coextensive with [RICO's] substantive prohibitions." *Id.* at 2108. Section 284, by contrast, provides for damages upon proof of infringement *simpliciter*. See 35 U.S.C. 281 (providing that "[a] patentee shall have remedy by civil action for infringement of his patent"); 35 U.S.C. 284 (providing that "the court shall award the claimant damages adequate to compensate for the infringement").

The two statutes differ in another respect as well. Although a private RICO plaintiff must allege and prove injury to its own business or property, its suit is premised on the defendant's violations of federal criminal laws that protect the general public. The patent holder in an infringement suit, by contrast, seeks to recover damages caused by the violation of its *own* legal rights. See 35 U.S.C. 154(a)(1) ("Every patent shall

contain * * * a grant *to the patentee* * * * of the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States.") (emphasis added). In that sense, a patent holder is always seeking compensation for a wholly domestic legal injury, even if the consequences of that injury include lost profits that would have been earned overseas. See *Black's Law Dictionary* 905 (10th ed. 2014) (defining "injury" as "[t]he violation of another's legal right, for which the law provides a remedy; a wrong or injustice"); cf. *Pasquantino* v. *United States*, 544 U.S. 349, 353, 371 (2005) (Conviction for wire fraud in the United States depriving Canada of tax revenue was a domestic application of the statute because the "offense was complete the moment [the defendants] executed the scheme inside the United States.").

3. The court of appeals' decision is also inconsistent with the only decisions of this Court addressing the ability of patent owners to recover foreign lost profits attributable to domestic acts of patent infringement. Although none of those decisions squarely holds that such profits may be recovered, each suggests that the Federal Circuit's approach is mistaken. See *Brown* v. *Duchesne*, 60 U.S. (19 How.) 183 (1857); *Manufacturing Co.* v. *Cowing*, 105 U.S. 253 (1882); *Dowagiac Mfg. Co.* v. *Minnesota Moline Plow Co.*, 235 U.S. 641 (1915).

In *Duchesne*, this Court denied compensation to a patent owner whose patented invention was installed on a foreign vessel abroad before the vessel entered U.S. waters on a transitory commercial voyage. The Court explained that the extensive use of the patented invention "outside of the jurisdiction of the United States" was not an infringement of the patent holder's rights, and that the foreign vessel "could hardly be said to use

[the invention] while she was at anchor in the port, or lay at the wharf" within the United States. 60 U.S. (19 How.) at 195-196. The Court indicated, however, that the outcome would have been different if the patented device had been "manufactured on [the vessel's] deck while she was lying in the port" *inside* the United States. *Id.* at 196. In those circumstances, the Court stated, the defendant would have committed domestic infringement, and the patent owner would have been entitled to recover "for the injury he sustained, and the benefit and advantage which he (the defendant) derived from the invention," even though "[t]he chief and almost only advantage which [he] derived from the use of this improvement was on the high seas." *Ibid.*[3]

In *Manufacturing Co.*, the Court affirmed a patent owner's recovery of profits derived from sales to foreign customers. In that case, the patent owner manufactured pumps specialized for use in the oil-drilling regions of Canada and Pennsylvania. 105 U.S. at 254, 256. The defendant manufactured infringing pumps in the United States and sold them in those regions. *Ibid.* Although the Court did not specifically address the issue of extraterritorial application of U.S. law, it held that the patent owner was entitled to recover the infringer's *full* profits on the sales, without distinguishing between the infringer's profits from sales in Canada and Pennsylvania. *Ibid.*

Finally, in *Dowagiac Manufacturing*, the Court again suggested that the calculation of damages for domestic patent infringement may take account of foreign sales. A plaintiff who held a patent on plow technology sued a U.S.-based manufacturer of infringing plows, as

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[3] Until 1946, the Patent Act provided for disgorgement of the infringer's profits. *Aro Mfg.*, 377 U.S. at 505-506.

well as the wholesalers who had sold the plows in the United States and Canada. 235 U.S. at 643, 650. The manufacturer settled, and the wholesalers were ordered to pay nominal damages. *Id.* at 643. This Court reversed the damages award and remanded for further proceedings in light of an intervening decision unrelated to the question presented here. *Id.* at 651. But the Court instructed that, on remand, the wholesalers could not be required to pay damages for their sales in Canada because the wholesalers' acts with regard to the plows at issue had been "wholly done in a foreign country." *Id.* at 650. Particularly relevant for present purposes, the Court distinguished the damages award in *Manufacturing Co.* on the ground that, unlike the wholesalers in *Dowagiac Manufacturing*, the defendant in *Manufacturing Co.* had manufactured the infringing product in the United States prior to the foreign sales. *Ibid.*

B. The Question Presented Is Important And Recurring

The availability of foreign lost profits as damages for domestic acts of patent infringement is of significant importance for patent owners and infringers alike. The court of appeals reversed the jury's award of lost profits as a matter of law. The court's judgment, which applies nationwide as a result of the Federal Circuit's exclusive appellate jurisdiction over cases arising under the patent laws, 28 U.S.C. 1295(a)(1), will systematically undercompensate patentees whenever an infringer's domestic activity directly and foreseeably causes the patent owner to lose profits he otherwise would have earned for sales or services provided overseas.

That result is particularly odd in the context of infringement under Section 271(f). Because Section 271(f) applies only when the defendant exports components of

a patented invention to induce assembly of the invention abroad, domestic violations of that provision are particularly likely to have foreign consequences. And the Federal Circuit has made the same analytical error in addressing damages for direct patent infringement under Section 271(a), construing its prior decision in *Power Integrations, Inc.* v. *Fairchild Semiconductor Int'l, Inc.*, 711 F.3d 1348 (2013), cert. denied, 134 S. Ct. 900 (2014), as establishing a categorical bar to the recovery of damages that are proximately caused by domestic infringement but arise abroad, see Pet. App. 42a-43a. Since the decision below, moreover, the court of appeals has expanded its holding, apparently precluding consideration of foreign uses of a patented technology when determining royalties under Section 284. See *Carnegie Mellon Univ.* v. *Marvell Tech. Grp.*, Ltd., 807 F.3d 1283, 1307 (Fed. Cir. 2015). The court of appeals has thus firmly embraced the view that the presumption against extraterritoriality operates to bar U.S. patentees from recovering full compensation for domestic infringement.

As the dissent below observed, moreover, the court of appeals' prohibition against recovering foreign damages attributable to domestic patent infringement is in tension with appellate decisions calculating damages under the copyright laws. See Pet. App. 179a (Wallach, J., dissenting from the denial of the petition for rehearing en banc). The so-called "predicate act" doctrine in copyright law permits copyright owners "to recover damages flowing from exploitation abroad of the domestic acts of infringement committed by defendants." *Los Angeles News Serv.* v. *Reuters Television Int'l, Ltd.*, 149 F.3d 987, 992 (9th Cir. 1998), cert. denied, 525 U.S. 1141 (1999). The doctrine was first applied in an opinion by Learned Hand in 1939 that expressly relied on

this Court's patent-law opinions in *Manufacturing Co.* and *Dowagiac Manufacturing*. See *Sheldon* v. *Metro-Goldwyn Pictures Corp.*, 106 F.2d 45, 52 (2d Cir.), cert. denied, 308 U.S. 617 (1939), and aff'd, 309 U.S. 390 (1940). It has since been adopted by two other courts of appeals and rejected by none. See *Tire Eng'g & Distrib., LLC* v. *Shandong Lindlong Rubber Co.*, 682 F.3d 292, 306-308 (4th Cir. 2012) (per curiam), cert. denied, 568 U.S. 1087 (2013); *Los Angeles News Serv.*, 149 F.3d at 991-992; see also *Update Art, Inc.* v. *Modiin Publ'g, Ltd.*, 843 F.2d 67, 73 (2d Cir. 1988).

To be sure, patent and copyright law "are not identical twins." *Sony Corp. of Am.* v. *Universal City Studios, Inc.*, 464 U.S. 417, 439 n.19 (1984). With regard to the question presented here, however, the respective damages provisions of the Patent Act and Copyright Act of 1976, 17 U.S.C. 101 *et seq.*, afford no evident textual basis for adopting different rules in the two contexts. Compare 35 U.S.C. 284 (plaintiff in patent-infringement suit is entitled to damages "adequate to compensate for the infringement"), with 17 U.S.C. 504(b) (plaintiff in copyright-infringement suit "is entitled to recover the actual damages suffered by him or her as a result of the infringement"). The tension between the Federal Circuit's approach to patent law and the approach of other circuits to similar questions in copyright law underscores the need for this Court's review.

C. This Case Is A Suitable Vehicle For Resolving The Question Presented

Respondent contends (Br. in Opp. 27) that this case may become "largely moot," based on intervening decisions of the Patent Trial and Appeal Board (Board) in inter partes review. After the jury in this case had rendered its verdict, the Board held unpatentable four of

the six patent claims on which the jury had based its lost-profits award. See Final Written Decision at 3, 52, *Petroleum Geo-Servs. Inc.* v. *WesternGeco LLC*, No. IPR2014-689 (Dec. 15, 2015); Final Written Decision at 3, 53, *Petroleum Geo-Servs. Inc.* v. *WesternGeco LLC*, No. IPR2014-688 (Dec. 15, 2015); Final Written Decision at 3, 43, *Petroleum Geo-Servs., Inc.* v. *WesternGeco LLC*, No. IPR2014-687 (Dec. 15, 2015); see also Pet. App. 170a-171a, 174a-175a. Petitioner's consolidated appeals from those decisions are currently pending before the Federal Circuit, and oral argument has been scheduled for January 17, 2018. See *WesternGeco LLC* v. *Ion Geophysical Corp.*, No. 16-2099. Respondent argues (Br. in Opp. 26-27) that, if the court of appeals affirms the Board's decisions and those four claims are cancelled, the jury's award of lost-profits damages may be infirm.

Regardless of the Federal Circuit's disposition of the consolidated appeals, however, the remaining two claims on which the jury based its lost-profits award in this case will continue in force. The jury instructions—unchallenged in this respect by respondent—permitted the jury to award lost profits if it found infringement of "a valid patent claim." Jury Instruction No. 19, at 25. And even if the invalidation of the other four claims were to call into question the sustainability of the lost-profits award, there is no indication that petitioner's request for lost profits would be "so implausible that it is insufficient to preserve jurisdiction." *Chafin* v. *Chafin*, 568 U.S. 165, 174 (2013).

Respondent also argues (Br. in Opp. 3, 22, 24-26) that the court of appeals' judgment could be sustained on the alternative ground that lost profits should not be available because respondent and petitioner were not direct

competitors, which it contends is a requirement for any lost-profits award. Respondent raised that contention below, but the court of appeals did not reach it because it held lost profits unavailable on a different ground. If this Court reverses the court of appeals' *per se* bar against recovering foreign lost profits, respondent would be free to renew its alternative contention on remand. That possibility does not pose any obstacle to this Court resolving the question presented here.

Finally, respondent contends (Br. in Opp. 12-15) that further review is precluded because this Court previously granted review, vacated the court of appeals' initial judgment, and remanded this case to the court of appeals to address an issue of enhanced damages, without addressing the question presented here (which petitioner had also raised in its first petition for a writ of certiorari). But even if the Court's decision not to grant plenary review at that time on the lost-profits question is properly viewed as a denial of a writ of certiorari, "a prior denial of certiorari * * * does 'not establish the law of the case or amount to res judicata on the points raised.'" Stephen M. Shapiro et al., *Supreme Court Practice* 84 (10th ed. 2013) (quoting *Hughes Tool Co.* v. *Trans World Airlines, Inc.*, 409 U.S. 363, 365 n.1 (1973)). Petitioner therefore is not precluded from raising the issue again.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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